

HUBZones: A Practical Guide

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What is a HUBZone?

- **H**istorically **U**nderutilized **B**usiness **Z**one
- Program is designed to help small firms in certain communities gain access to federal contract opportunities
- HUBZone areas: typically areas of low median household incomes or high unemployment, or both
- At any given time, there are about 5,000 small firms certified in the HUBZone program
- Purpose:
 - Increase employment opportunities
 - Stimulate capital investment
 - Empower communities through economic leveraging

Eligibility Requirements

- Small business (by SBA standards)
- Owned and controlled by at least 51% U.S. citizens or a community development corporation, an agricultural cooperative, or an Indian tribe
- Principal office must be located within a designated HUBZone
- At least 35% of its employees must reside in a HUBZone

Note: Different rules apply for Tribal Governments, Alaska Native Corporations, Community Development Corporations and small agricultural cooperatives. 13 CFR 126

35%... defined

- Anyone that works a minimum of **40 hours per month**.
 - Includes employees:
 - from a temp agency, leasing concern, or through a union agreement
 - co-employed pursuant to a professional employer organization agreement
 - Owners / co-owners / partners, as long as they work 40 hours /month, regardless of compensation
 - SBA will consider the totality of the circumstances, including criteria used by the IRS, in determining whether individuals are employees of a concern
- ***Who does NOT qualify***
 - 1099s
 - Volunteers, including interns and in-kind compensated persons
- **“Reside”** means to live in a primary residence at a place for at least 180 days, or as a currently registered voter, and with intent to live there indefinitely.

Principal Office...defined

- Location where the **greatest number** of the concern's **employees** at any one location perform their work.
- For businesses in service or construction
 - exclude the concern's employees who perform the majority of their work at job-site locations to fulfill specific contract obligations.
- Note – does not have to be “Headquarters”

Requirements to bid on HUBZone contract (13 CFR 126.601)

- At the time of **submittal of the offer**, certify that:
 - It is a qualified HUBZone that appears on SBA's List;
 - **No material change** since the date of certification that could affect its HUBZone eligibility;
 - Small under the NAICS code assigned to the procurement; and
 - **Attempt to maintain** the required % of employees who are HUBZone residents during life of contract
 - **Attempt to maintain** means making substantive & documented efforts (written offers, published advertisements, attendance at job fairs. 13 CFR 126.103)

Maintaining HUBZone Certification

1. Notify SBA of any material change that may affect the firm's HUBZone status.

- a. Change in the firm's ownership
- b. Change in the firm's business structure
- c. Change in the firm's principal office
- d. Change in the firm's 35% HUBZone residency status

2. Recertify HUBZone status every 3 years

NOTE: SBA will initiate the recertification action.

HUBZone Maps



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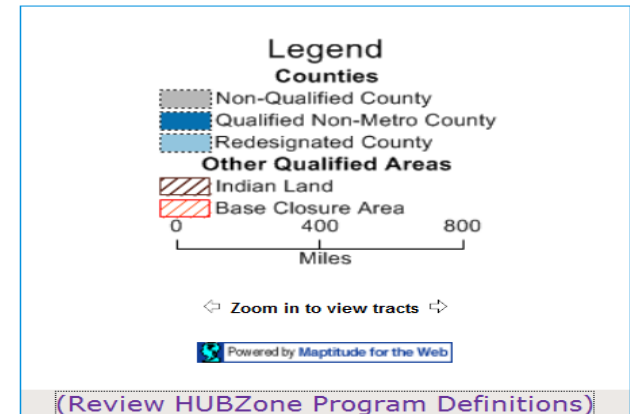
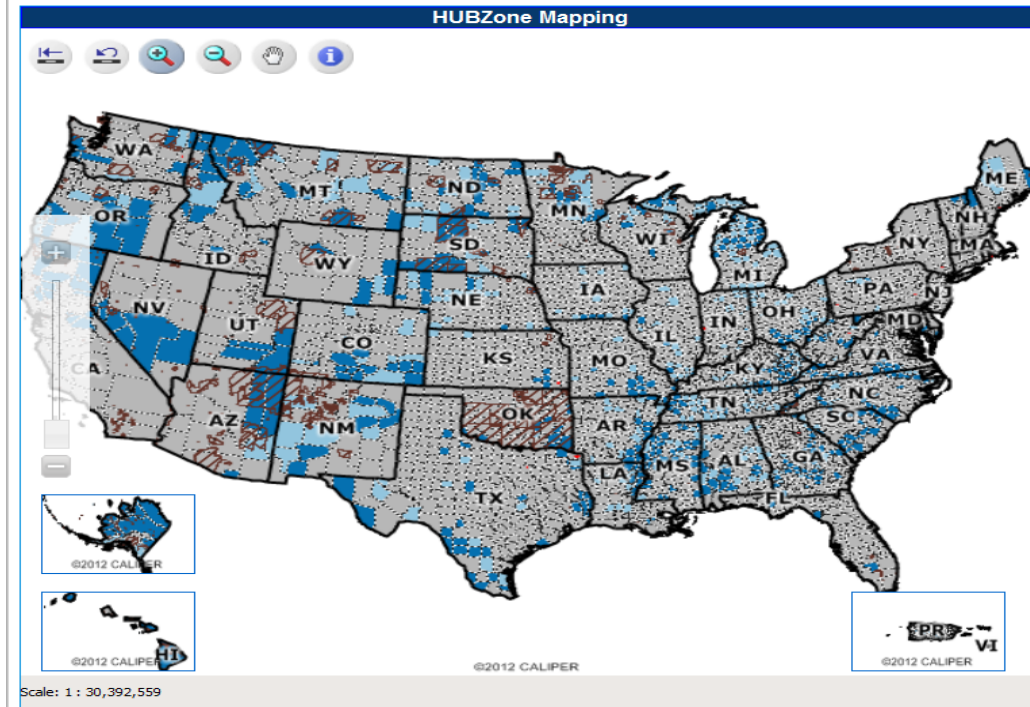
Start Here: Is my location in a HUBZone?

Address City State ZIP Code [Coordinate Input](#)

Eligibility Result

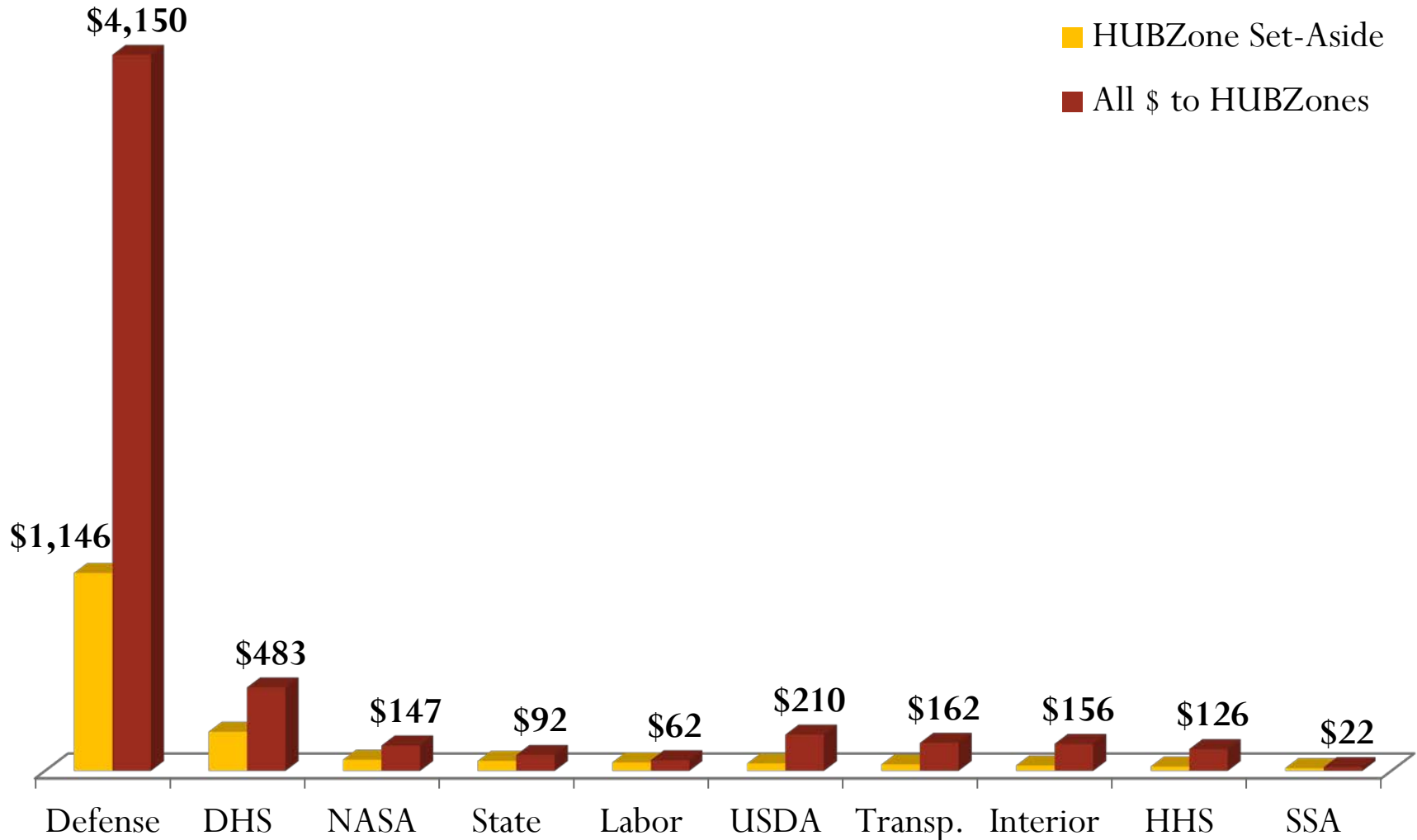
(Search County or All Counties)

State County



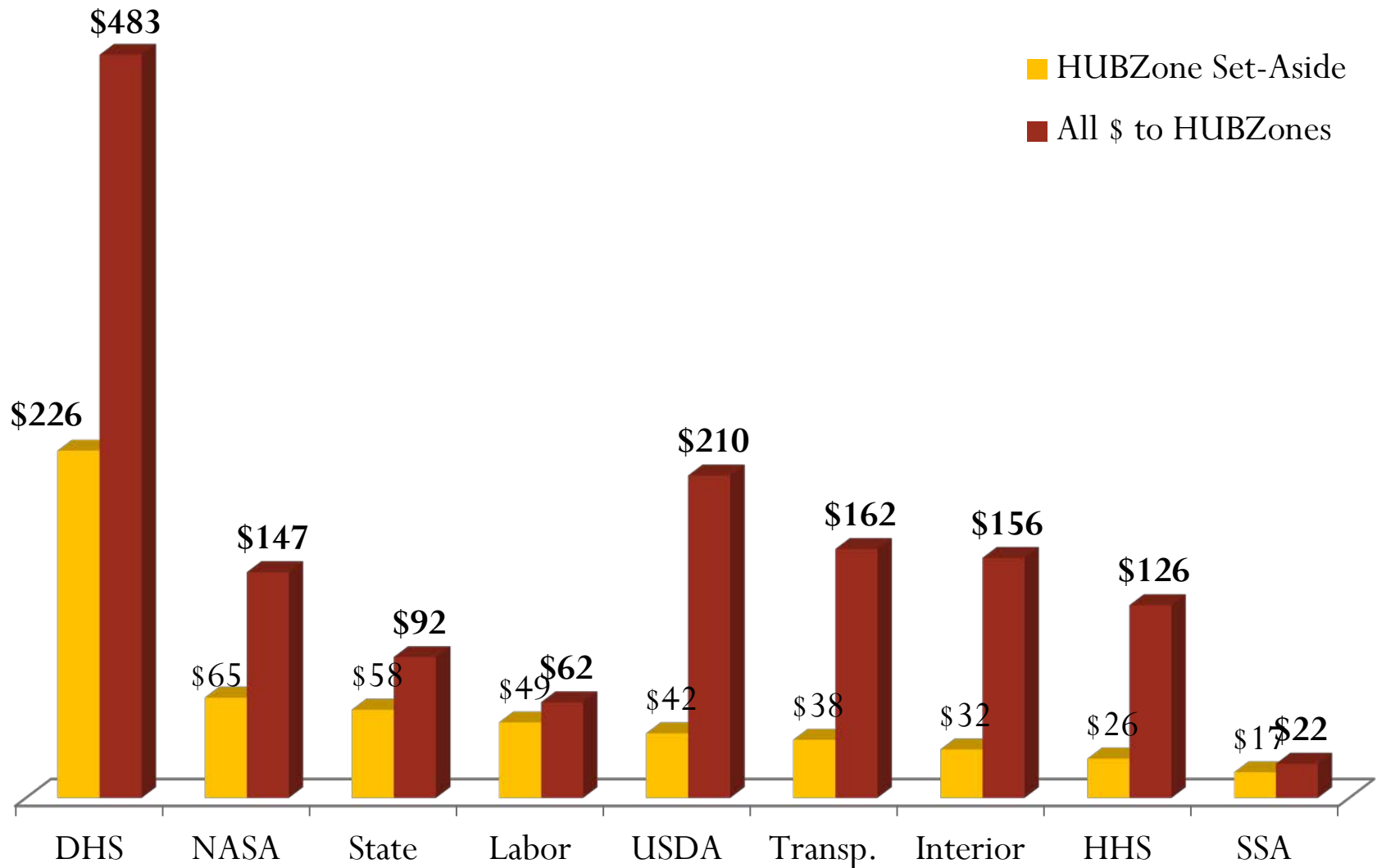
Show Me The Money!

Who is Buying from HUBZones? (\$M)

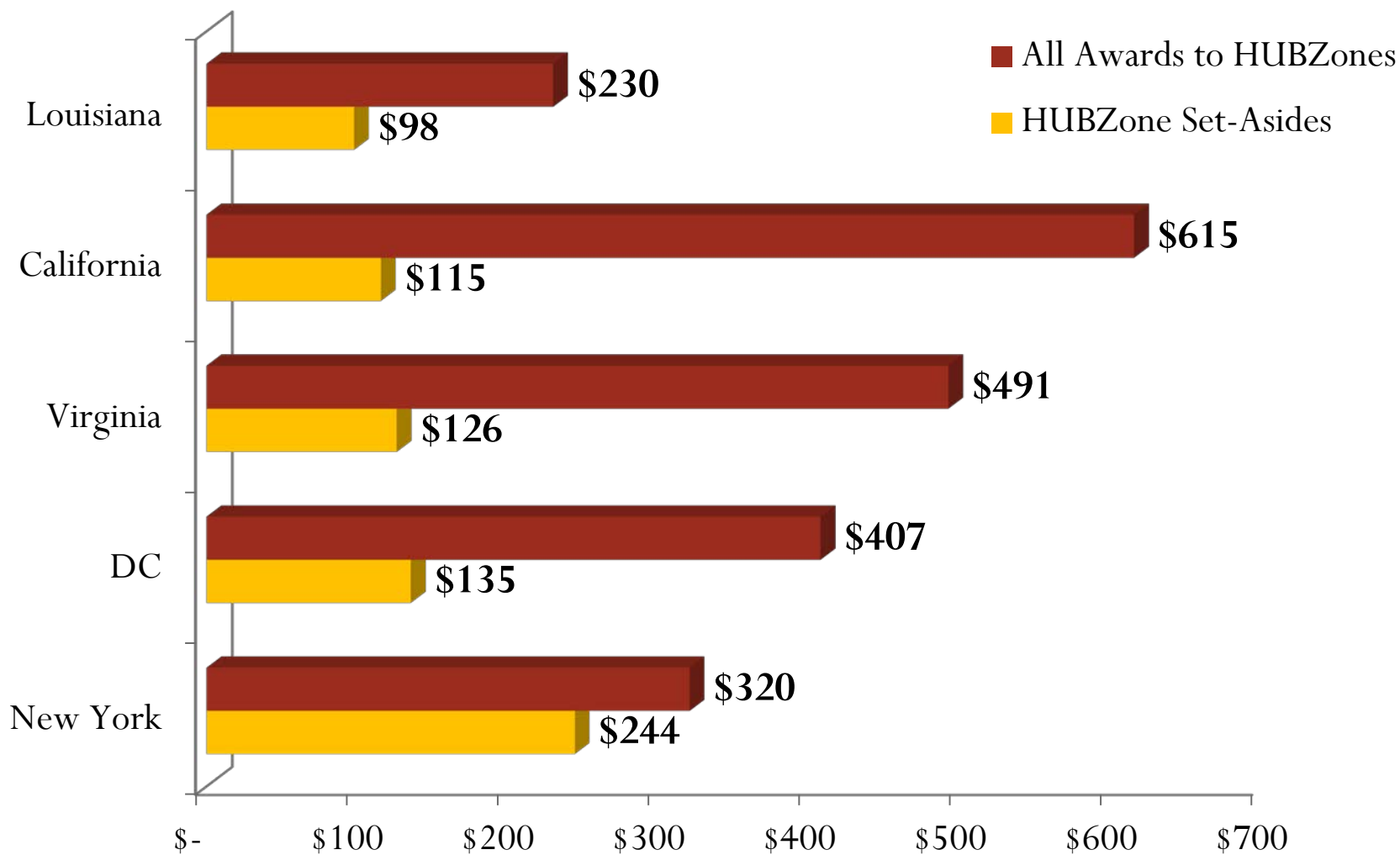


Who is Buying from HUBZones...

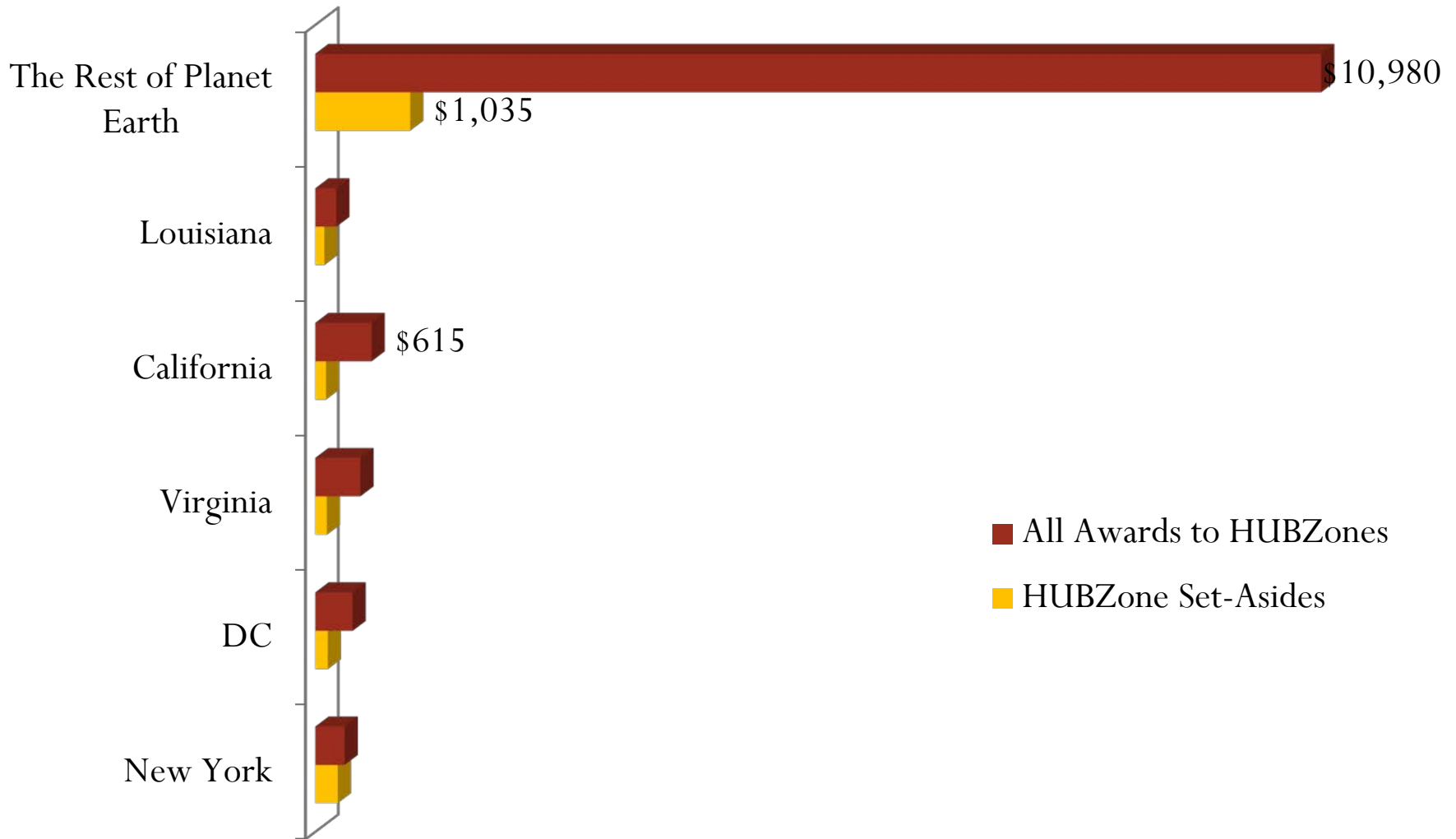
Besides DOD! (\$M)



Where is the Work? (\$M) – Top 5 States

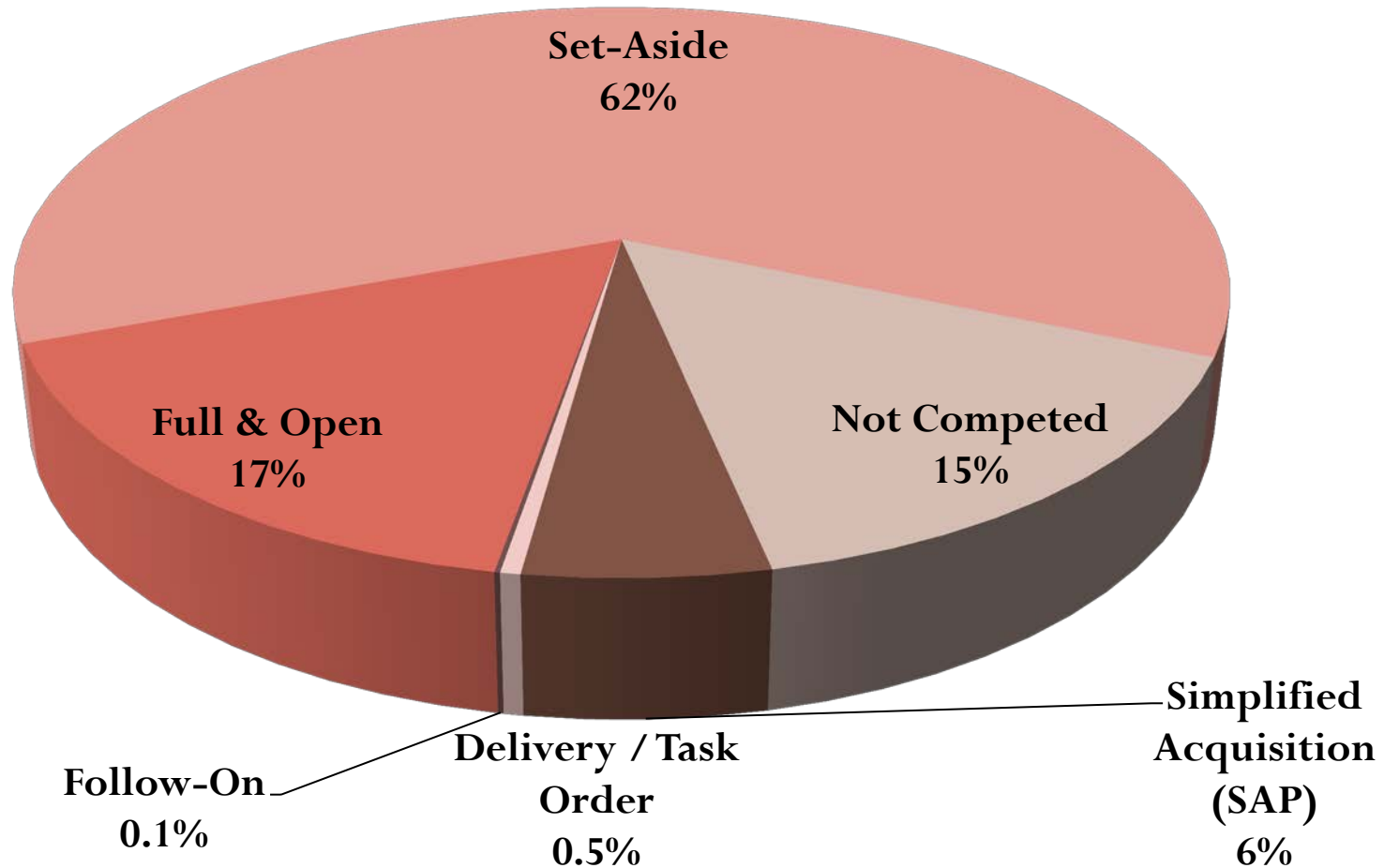


Where is the Work – Worldwide (\$M)



Competition Types:

All Obligations to HUBZones (\$M)



Top Products / Services (\$M)

| HUBZONE Set-Asides | |
|-------------------------------|----------------|
| NAICS Code | \$ Obligated |
| 236220: Commercial Bldg Const | \$ 495,271,628 |
| 541519: Computer Svcs | \$ 165,482,429 |
| 237990: Heavy Constr. | \$ 148,618,227 |
| 236210: Industrial Constr. | \$ 129,787,291 |
| 315211: Men's Apparel | \$ 94,618,272 |
| 237310: Road Constr. | \$ 87,012,389 |
| 561612: Security Guards | \$ 63,454,813 |
| 561210: Facilities Support | \$ 57,242,717 |
| 561720: Janitorial | \$ 51,096,653 |
| 561730: Landscaping | \$ 41,946,532 |

| All Awards to HUBZones | |
|---------------------------------|------------------|
| NAICS Code | \$ Obligated |
| 236220: Building Constr. | \$ 1,571,266,400 |
| 541519: Computer Svcs | \$ 482,783,157 |
| 237990: Heavy Constr. | \$ 480,207,450 |
| 237310: Road Constr. | \$ 335,265,948 |
| 561210: Facilities Supp't | \$ 238,982,626 |
| 561612: Security Guards | \$ 194,315,933 |
| 541330: Engineering | \$ 187,250,662 |
| 236210: Industrial Const. | \$ 185,601,272 |
| 541712: R&D/Scientific | \$ 119,587,358 |
| 541611: Admin & Mgmt Consulting | \$ 117,689,459 |

Top Products / Services

HUBZone Set-Asides

- 76% of all \$ in set-asides spent in top 10 NAICS Codes
- Construction Spend is 58% of Total HUBZone set-asides

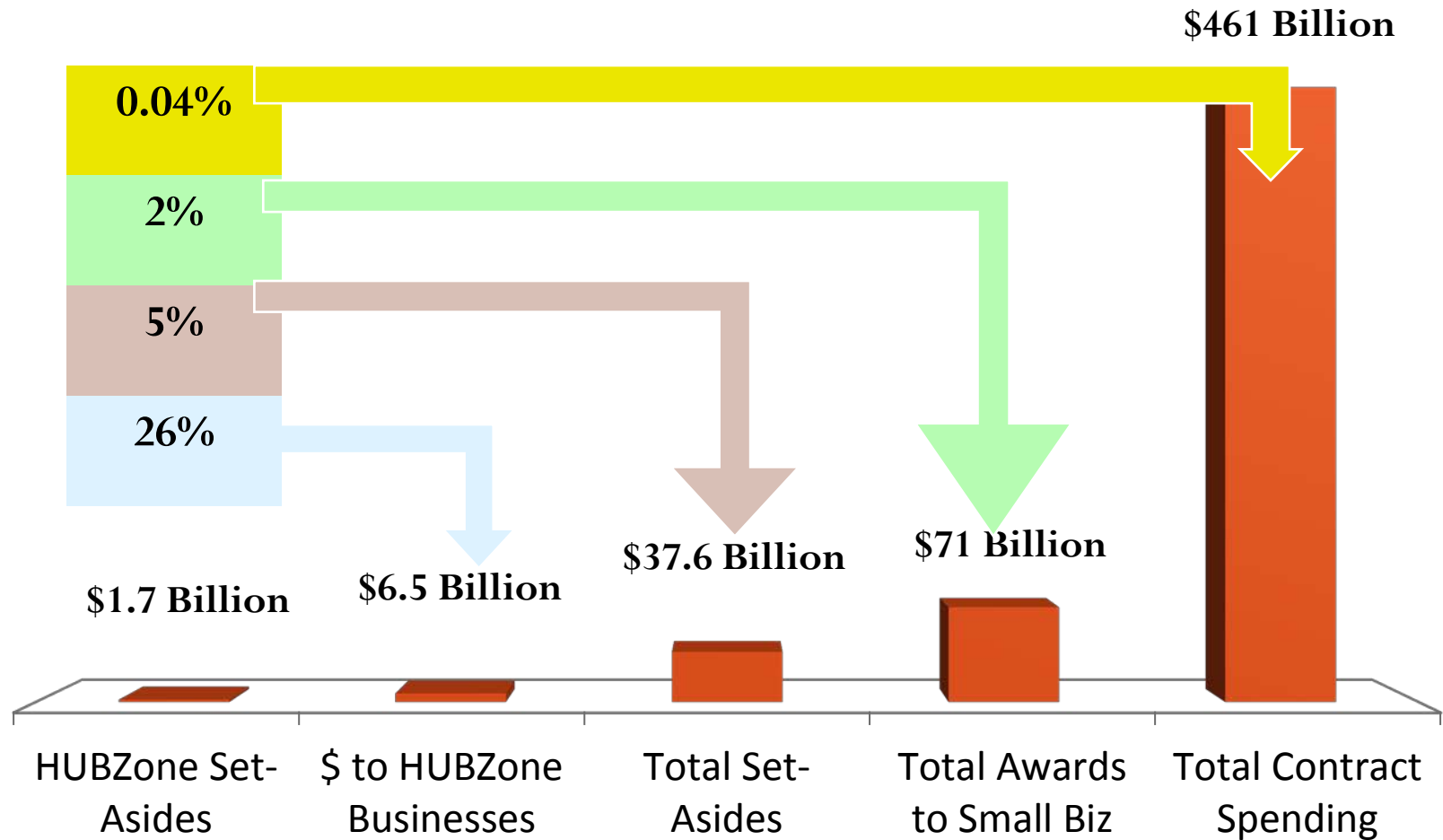
Awarded to All HUBZones

- 30% of all \$ in set-asides spent in top 10 NAICS Codes
- Construction Spend is 20% of Total HUBZone set-asides

Conclusion: There is a lot of business to be had outside the HUBZone set-aside path

HUBZone, in Perspective

Obligations



Source: USASpending.gov FY2013 Obligations

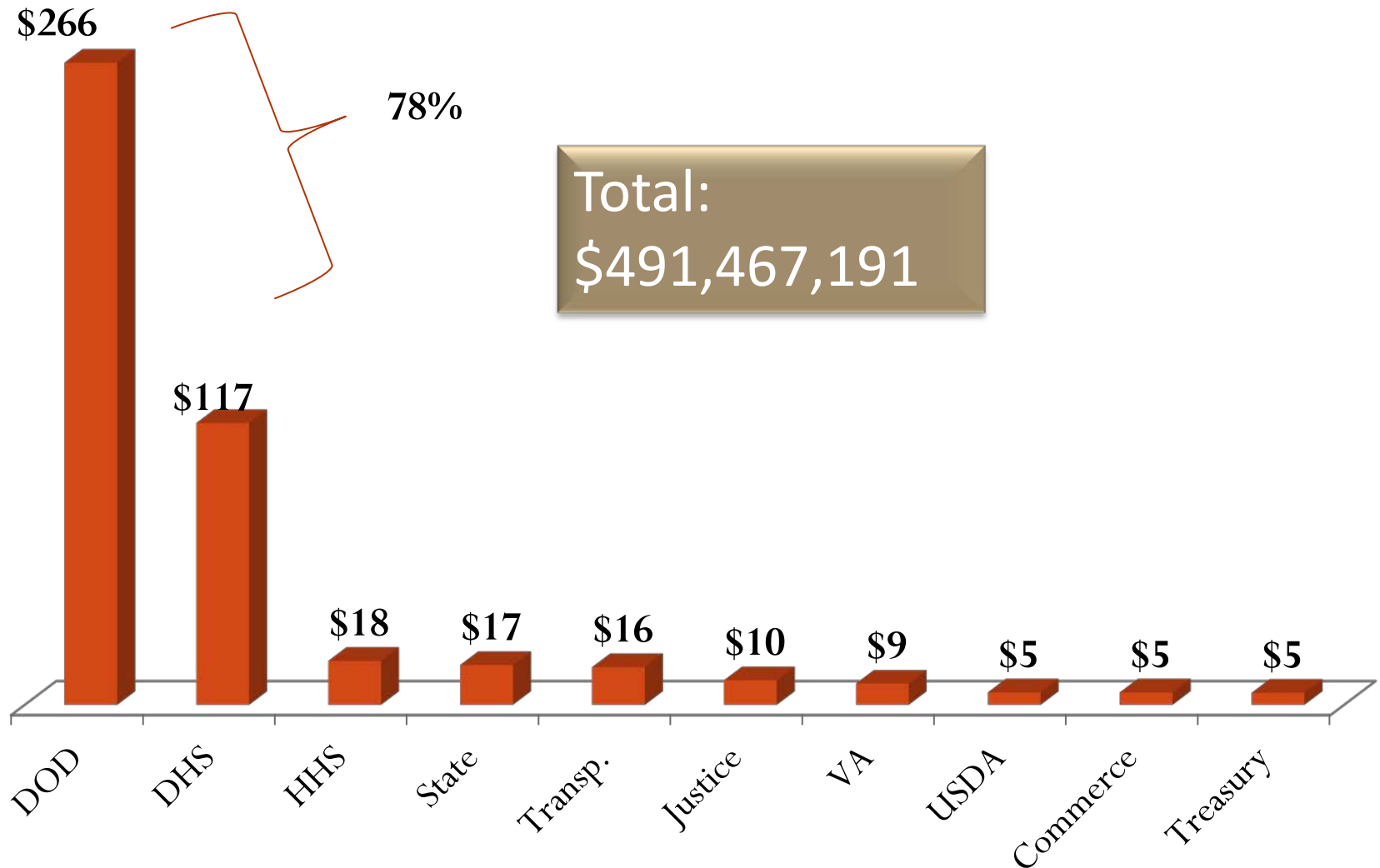
What about Virginia?

HUBZone Set-Aside
Drilldown



Who is Buying in Virginia? (\$M)

HUBZone Set-Aside



HUBZONE Set-Asides

| NAICS Code | \$ Obligated |
|---|----------------------|
| 541519: Computer Services | \$ 58,858,798 |
| 236220: Commercial Building Construction | \$ 14,068,951 |
| 237310: Road Constr. | \$ 8,927,114 |
| 541511: Computer Programming | \$ 5,793,562 |
| 561730: Landscaping | \$ 4,478,439 |
| 561990: All Other Support Services | \$ 4,156,596 |
| 561110: Office Administrative Services | \$ 3,853,921 |
| 238160: Roofing Contractors | \$ 3,367,991 |
| 561612: Security Guards | \$ 3,207,752 |
| 238220: HVAC | \$ 3,186,147 |

Win Strategy?

Most successful HUBZone contractors

- Annual Gross Revenue over \$2 million
- More than 15 employees
- Been in business longer than 10 years

Source: SBA, FY2012 analysis

Care & Maintenance of the HUBZone Certification (Best Practices)

Incorporate maintaining HUBZone into business plan.

- ❑ Long-term and revolving strategies that define how to be and remain competitive
- ❑ Keep HUBZone employee residence at 50% or more – as a cushion. Being at the 35% minimum is risky.
- ❑ Maintain a list of potential hires in case one of the HUBZone residents quits. This way firm does not risk decertification.
- ❑ Watch for HUBZone map for changes; sign up for email alerts at [“Subscribe to HUBZone News”](#)

Note: Even though certification can potentially be indefinite, the median number of years in the program has been only 4!

Get Wise to the Paths to Contract

- “RFP” – the big money
 - The bigger the deal, the longer the cycle (18-24 months!)
 - And lots of competition and expense and disclosure
 - Must know ahead of time = research!
 - Beware of IDIQs / GWACs – all the work, no guarantee
- Teaming / Subcontracting
 - Find the right partner – not necessarily the “BIGGEST”
 - Fight for work share
 - Exclusivity is a concern
- Schedules – “commercial items” (pre-negotiated prices)
- Simplified acquisition – up to \$150K – less formal
 - Under \$25,000 – no RFP! Can’t find it on FedBizOpps
 - Micro purchase: \$3,000 / \$2,500 – credit card-like transactions
 - Reverse auction: fedbid.com – short-turnaround, small value

Know Your Customer

- Demonstrate your knowledge
 - + Your customer's challenge
 - Their current environment/situation
 - = Present a thoughtful, "tailored" solution
 - *Hint: you don't have to have it solved at the first meeting – but ask the questions that will help you*
- Use the customer's words – phrasing, deadlines, technical terms, jargon
- Don't expect instant deals
 - do expect long-term dialogue
- Don't waste time on folks who don't buy what you sell